

PAKISTAN

March 1, 2023

Foundation Alert

Economy: February inflation of 31.5% YoY is at all-time high

Event

- Pakistan Bureau of Statistics released February 2023 National CPI which came in at 4.32/31.55% on MoM/YoY.

Impact

- National CPI came in at 4.32/31.55% on MoM/YoY in February 2023 as compared to 2.9/27.6% on MoM/YoY in January 2023.
- Urban CPI changed by 4.5/28.8% on MoM/YoY and Rural CPI changed by 4.0/35.6% on MoM/YoY during February 2023.
- Food and Non-Alcoholic Beverages (weight in CPI 34.6%) contributed most to inflation with impact of 1.6% MoM due to increase in non-perishable food items with impact of 1.4% MoM along with increase in perishable food items with impact of 0.2% MoM. This was driven by upsurge in prices of chicken, cooking oil, cigarettes, gram whole, gram pulse, rice and pulse moong.
- Transport witnessed increase of 12.0% MoM with impact of 0.9% MoM due to increase in prices of petroleum products and motor vehicles. Among other heads, notable increase was observed in Housing, Water, Electricity. Gas & Fuels index (weight of 23.6%) with impact of 0.7% MoM due to increase in prices of gas charges and liquefied hydrocarbons.
- Urban Core-Inflation (non-food, non-energy) clocked in at 2.2/17.1% on MoM/YoY basis. Whereas, Rural Core Inflation clocked in at 2.6/21.5% on MoM/YoY basis in February 2023.
- Average NCPI during 8MFY23 clocked in at 26.2% YoY vs 10.5% YoY in 8MFY22.

Outlook

- (1) Elevated food inflation amid disruptions caused by record floods and high global food prices, (2) high fuel and energy prices along with their 2nd round effects given IMF push to escalate prices further amid elevated international petroleum prices on account of Ukraine war and (3) effects of sharp Rupee depreciation would keep FY23 inflation at multi decade high.

Fig 1: February 2023 - National CPI

Group	Weight	% MoM	% YoY	Impact % MoM	Impact % YoY
General	100.0%	4.32	31.55	4.32	31.55
Food & Non-alcoholic Bev	34.58%	4.05	45.07	1.6	16.14
Non-perishable Food items	29.60%	4.03	44.68	1.38	13.83
Perishable Food items	4.99%	4.13	47.59	0.23	2.32
Alcoholic Bev. & Tobacco	1.02%	9.73	49.20	0.10	0.46
Clothing & Footwear	8.60%	1.16	16.98	0.09	1.45
Housing, Water, Electricity. Gas & Fuels	23.63%	3.70	13.58	0.74	3.11
Furnishing & Household Equip. Maint	4.10%	4.98	34.04	0.20	1.36
Health	2.79%	2.14	18.78	0.06	0.54
Transport	5.91%	12.01	50.45	0.85	3.34
Communication	2.21%	2.10	3.69	0.03	0.06
Recreation & Culture	1.59%	3.27	48.05	0.05	0.64
Education	3.79%	0.46	10.79	0.01	0.38
Restaurant & Hotels	6.92%	5.13	34.54	0.36	2.39
Miscellaneous	4.87%	4.67	33.29	0.24	1.68

Source: PBS, Foundation Research, March 2023

Analyst

Foundation Research
+92 21 3561 2290-94

research@fs.com.pk
Ext 331

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Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.